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On Real International Holdings Limited

安悅國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8245)

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF FINANCIAL ASSET

THE AGREEMENT

On 20 June 2019 (after trading hours), Mr. Tam as purchaser and the Vendor (being an indirect wholly-owned subsidiary of the Company) entered into the Agreement, pursuant to which Mr. Tam has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Subject Asset at a consideration of HK\$9,500,000 to be settled by cash.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules. Furthermore, as all the relevant percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Disposal are less than 25% and the Consideration is less than HK\$10,000,000, the Disposal is, pursuant to Rule 20.74(2) of the GEM Listing Rules, subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

INTRODUCTION

On 20 June 2019 (after trading hours), Mr. Tam as purchaser and the Vendor (being an indirect wholly-owned subsidiary of the Company) entered into the Agreement, pursuant to which Mr. Tam has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Subject Asset at a consideration of HK\$9,500,000 to be settled by cash. Details of the Agreement are set out below:

THE AGREEMENT

Date: 20 June 2019

Parties: (a) Mr. Tam, as the purchaser; and
(b) The Vendor, i.e. On Real Limited (an indirect wholly-owned subsidiary of the Company), as the vendor.

Mr. Tam is an executive Director and Chief Executive Officer of the Company. Accordingly, Mr. Tam is a connected person of the Company for the purpose of the GEM Listing Rules.

Asset for Disposal

Pursuant to the Agreement, the Vendor has conditionally agreed to sell to Mr. Tam and Mr. Tam has conditionally agreed to purchase from the Vendor the Subject Asset.

Consideration

The Consideration for the sale and purchase of the Subject Asset shall be HK\$9,500,000, and shall be payable by Mr. Tam by way of cash within thirty (30) calendar days from Completion.

The Consideration was determined among Mr. Tam and the Vendor after arm's length negotiations and on normal commercial terms, with reference to (i) the current surrender value of the Subject Asset; (ii) the book value of the Subject Asset; and (iii) the implied rate of return of the Disposal calculated with reference to the original amount of premium paid for the Subject Asset, the Consideration and the approximate period of holding the Subject Asset by the Vendor.

Conditions precedent

Completion is conditional upon the following conditions being satisfied:

- (a) the insurer of the Subject Asset having approved the transfer and notified the Vendor with regards to completion of the relevant internal procedures; and
- (b) all necessary third-party (including the Board and any regulatory authorities) approvals or consents (or waivers) required by the Vendor for the consummation of the transactions contemplated under the Agreement (if any) have been obtained.

Pursuant to the terms of the Agreement, none of the aforementioned conditions precedent can be waived. If Completion cannot take place by the Long Stop Date (or such other later date as the parties to the Agreement may agree in writing), the Agreement shall be terminated.

INFORMATION OF THE SUBJECT ASSET

The Subject Asset comprise of the life insurance plan “Jade Global Select Universal Life Plan” insured by HSBC Life (International) Limited on the life of Mr. Tam which was originally taken out by the Vendor in July 2011. The original lump-sum premium paid was US\$1,000,000 (equivalent to approximately HK\$7,830,000 and the insured sum is approximately US\$5,387,000 (equivalent to approximately HK\$42,180,000). The current surrender value of the Subject Asset is approximately US\$1,082,000 (equivalent to approximately HK\$8,472,000).

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Group is principally engaged in designing, manufacturing and selling two-way and baby monitor products on original design manufacturing basis.

The Company was listed on GEM in September 2015 (the “**Listing**”). Prior to the Listing, certain of the Group’s banking facilities were guaranteed by personal guarantee given by Mr. Tam. In view of the above, the relevant bank has required the Vendor’s purchase of the Subject Asset as key man insurance being part of the conditions in the grant of the Group’s banking facilities. Subsequent to the Listing, the aforementioned personal guarantee was replaced by corporate guarantee given by the Company and holding the Subject Asset as condition to the banking facilities was no longer applicable.

With reference to the profit warning announcement of the Company dated 18 June 2019, the Company is expected to record a net loss for the year ended 31 March 2019 (compared to net profit for the year ended 31 March 2018) as a result in the increase in cost of sales leading to reduction of gross profit margin and gross profit. With the ongoing trade war between the PRC and the US, the Directors foresee that the operating environment for the Group is expected to remain difficult and uncertain with pricing pressure as a result of the tariffs imposed on the Group's exports to the US. Seeing the US is a major market of the Group with approximately 50.2% of the Group's revenue for the six months ended 30 September 2018 being generated from the US, the Directors consider that it is prudent to free up financial resources in anticipation of the difficult times ahead. As per information published by the Centre for Health Protection of the Department of Health of the Government of Hong Kong, the life expectancy for males is approximately 82 years while Mr. Tam is 49 years old as at the date of this announcement. Given the wide difference of over 30 years between the aforementioned figures and that the Sale Asset is no longer required for the Group's banking facilities, the Directors consider the Disposal to be beneficial to the Group as it would allow the Group to receive the Consideration (before expenses), which is at an approximately 12.1% premium over the current surrender value of the Subject Asset, in cash.

It is expected that the estimated net proceeds from the Disposal (after deduction of relevant expenses) of approximately HK\$9,380,000 (subject to adjustments) will be used for supporting new production facilities outside the PRC, development of new products and general working capital.

In view of the above, the Directors (including the independent non-executive Directors) are of the opinion that the Disposal is on normal commercial terms and in the ordinary and usual course of business of the Company, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Mr. Tam who has a material interest in the Disposal had abstained from voting on the Board resolution approving the Disposal. Save as disclosed above, none of the Directors have a material interest in the Disposal which required any of them to abstain from voting on the Board resolution approving the Disposal.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Company will record an unaudited loss of approximately HK\$3,217,000 being the difference between the Consideration and the unaudited book value of the Subject Asset of approximately HK\$12,597,000 as at 31 March 2019, and after deducting the estimated expenses attributable to the Disposal of approximately HK\$120,000. The actual amount of the loss arising out of the Disposal will be subject to review by the auditors of the Company and shall be based on the value of the Subject Asset as at Completion and therefore, may vary from the current estimate.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules. Furthermore, as all the relevant percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Disposal are less than 25% and the Consideration is less than HK\$10,000,000, the Disposal is, pursuant to Rule 20.74(2) of the GEM Listing Rules, subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

GENERAL

As Completion is subject to the satisfaction of the conditions set out in the Agreement, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities in the Company.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“Agreement”	the conditional sale and purchase agreement dated 20 June 2019 entered into between Mr. Tam and the Vendor in relation to the Disposal
“Board”	the board of Directors
“Company”	On Real International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
“Completion”	the completion of the Disposal
“Consideration”	the consideration for the Disposal in the amount of HK\$9,500,000 pursuant to the terms and conditions of the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Subject Asset by the Vendor pursuant to the terms and conditions of the Agreement

“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Long Stop Date”	30 September 2019 or such other later date as the parties to the Agreement may agree in writing
“Mr. Tam”	Mr. Tam Wing Ki, an executive Director and Chief Executive Officer of the Company, being the purchaser in the Disposal
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Share(s)”	share(s) of HK\$0.00125 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Asset”	the life insurance policy insured by HSBC Life (International) Limited originally held by the Vendor with insured sum of approximately US\$5,387,000 (equivalent to approximately HK\$42,180,000)
“Vendor”	On Real Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the US

For illustrative purpose only, translations of US\$ to HK\$ has been made at the exchange rate of approximately US\$1 = HK\$7.83 in this announcement. No representation has been made that any amounts in US\$ or HK\$ have been, could have been or may be converted at such rate, any other rate or at all.

By order of the Board
On Real International Holdings Limited
Kwok Ming Fai
Executive Director

Hong Kong, 20 June 2019

As of the date of this announcement, the Board comprises three executive Directors, namely Mr. Tam Wing Ki, Mr. Kwok Ming Fai and Mr. Fu Yan Ming; one non-executive Director, namely Mr. Chan Chung Yin Victor; and three independent non-executive Directors, namely Mr. Wong Ching Wan, Mr. Fung Chan Man Alex and Mr. Chan Shiu Man.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.on-real.com.